

WHAT HAPPENS TO YOUR CHOICE PLAN MONEY WHEN YOU RETIRE?



When you retire from a PERSI employer, you have several options for your Choice Plan money:

1. Leave Your Money in the Plan

If you have at least \$200 in your account, you may leave it in the plan until you turn 70½, at which time the IRS requires that you begin taking a Required Minimum Distribution (RMD) from the plan each year. (If you have less than \$200, the account will be automatically closed and the money paid to you.) By leaving your money in the Choice Plan, you defer paying taxes. The Choice Plan not only offers funds with low or no investment fees, but also has low administrative fees – currently \$30 annually (\$2.50 per month), which is substantially less than what most traditional IRAs and other eligible plans charge. Fees will be assessed against your account monthly, beginning with the calendar month starting 90 days after the date you terminate or retire. If your money is invested in the Total Return Fund, PERSI will pay the investment fee for you. You always have the option of transferring your money into any of the other ten funds and may request a distribution at any time. In addition, you may roll over money from other eligible plans [such as 457, 403(b) or other 401(k) plans] or traditional pre-tax IRAs into the Choice Plan after you retire.

2. Purchase of Base Plan Service

You may convert all or part of your Choice Plan account to purchase credited service under the PERSI Base Plan. To take advantage of this option, you must be retired and must have completed the necessary “Purchase of Service” paperwork within the 90-day period preceding the date of your retirement.

3. Lump Sum Distribution Paid Directly to You

You may take a lump sum distribution of all or part of your Choice Plan money. Any amounts payable to you that are eligible for rollover distributions will be subject to federal income tax withholding of 20 percent. If you retire at age 55 or older, you may qualify for an exemption to the 10 percent federal early distribution penalty. If you are under 55, however, you may incur an early distribution penalty unless you are eligible to receive “substantially equal payments” (see Option 5). Generally, distributions not eligible for rollover will be subject to 10 percent federal withholding, unless you elect a different rate.

4. Rollover to an IRA or Eligible Retirement Plan

You may transfer your PERSI Choice Plan account balance via direct rollover into an Eligible Retirement Plan such as

a 401(a), 401(k), 403(a), 403(b) or 457 plan, or a pre-tax Individual Retirement Account (IRA). By transferring your money via direct rollover, you will defer paying taxes. A beneficiary may only take a rollover distribution if he/she is the surviving spouse of the participant. A non-spouse beneficiary can choose a direct rollover to a pre-tax IRA that will be treated as an inherited IRA.

5. Installment Payments

You may receive monthly installment payments from your PERSI Choice Plan account if your balance exceeds \$5,000. Monthly installments can be paid to you: 1) in a fixed monthly amount, with such payments made until the account balance is exhausted (not to exceed 120 months); or 2) in substantially equal payments over a fixed period of time not to exceed the joint life expectancy of you and your designated beneficiary. Installment payments are available only upon retirement, attainment of age 50, disability, or death of the participant if the beneficiary is the surviving spouse of the participant. You will be responsible for the record keeping fees to maintain this account (currently \$30 annually) during the time the installment payments are being made to you. Your installment option may be affected by minimum distribution requirements when you turn age 70½. Installment payments can be made by direct deposit.

6. A Combination of Options

You may also choose a combination of any of the above options as long as you maintain the required minimum balance of \$200 in the account. For example, you may want to take a small distribution and leave the balance in your account; or, you may wish to use a portion for a purchase of service, and then rollover the balance to another eligible plan or IRA.

Options 2-5 require a Choice Plan Distribution Request Form. You can obtain the form by calling the PERSI Answer Center at 1-800-451-8228; calling ACS HR Solutions, the Choice Plan record keeper, at 1-866-437-3774; or by downloading it from the PERSI Web site at www.persi.idaho.gov. If you decide to leave your money in the plan until a later date (age 70½), you do not need to take any action at this time; however, a minimum balance of \$200 is required to keep your account open. Once your money is depleted, the account will be closed.